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levees. If those who know the river best will show their confidence in its future, not only will they easily obtain any reasonable expenditures to improve and extend navigation on the Mississippi system, but also the railway legislation which the river needs will not long be withheld." May this perchance mean that the author believes the improvement of the river for purposes of navigation economically advisable? The reviewer is frankly in doubt.

HAROLD G. MOULTON

THE UNIVERSITY OF CHICAGO

National and Local Finance: A review of the relation between central and local authorities in England, France, Belgium, and Prussia, during the nineteenth century. By J. WATSON GRICE, with a preface by SIDNEY WEBB. London: P. S. King & Son, 1910. 8vo, pp. xxiv+404.

Grants in Aid: A criticism and a proposal. By SIDNEY WEBB. London: Longmans, Green & Co., 1911. 8vo, pp. 135.

The two books under consideration are numbers 20 and 24, respectively, of the monographs in economics and political science by writers connected with the London School of Economics and Political Science. Mr. Grice's book, as the subtitle indicates, is intended as a survey of the financial relations between central and local authorities in the countries mentioned; while Mr. Webb's study deals with the peculiar financial device that has grown out of those relations in England.

The extensiveness of the field covered by the more general study is apparent; and this, together with the complexity of the subject, presents a problem in treatment which the author has not been entirely successful in solving. Summaries are almost entirely lacking, and the main features of the systems of finance under consideration are not made to stand out distinctly. In consequence the reader spends much time wandering through a wilderness of well-documented detail from which he is not extricated until the concluding chapters of the book. To the many natural difficulties of the subject, moreover, the writer brings a style which aggravates an already abstruse treatment. Though these faults by no means destroy the worth of the book, they do detract mightily from its interest.

Considered in detail Mr. Grice's study is found to contain much valuable data not hitherto accessible in convenient form. The first six chapters deal with the relation of the central and local authorities

in England. Here is considered the origin of the grant in aid in the legislation for relief of local taxation following the revision of the poor law in 1834 and the repeal of the corn laws in 1846; the subsequent development of the grants to 1888; Goschen's unsuccessful attempt to separate national and local finance through the assignment of revenues; and, finally, recent additional grants and the present status of the system.

Two forces seem to have been responsible for the development of the subvention system in England: The demands of the landed interest for relief from the burden of the rates as local expenditures increased, and the very natural desire of the central authorities to have some control over the administration of services in respect to which aid was granted. Since the grants were made whenever the landowners succeeded in convincing Parliament of the need of local relief, or when some new extension in the direction of increasing the efficiency of a local service was contemplated, no systematic co-ordination of the various subventions has been effected. Distribution of the individual grants has usually been made upon some physical basis, as, for instance, the number of paupers in a given district, for poor relief; and little regard has been shown for the difference in burden-bearing capacity of the various districts. As the grants were extended the administrative officials at London were enabled to assert a large measure of supervision in matters of audit, maintenance of efficiency, and the application of economical and modern methods. At the present time, owing to the complexity of the system, its inequitable bases of distribution, and its lack of co-ordination, it stands badly in need of revision.

Turning to conditions on the Continent, Mr. Grice finds an entirely different situation. Both in France and in Prussia, owing to the fact that in legal theory local bodies are subject in most of their acts to central administrative control, a sharp distinction is drawn between "optional," or purely local services, and "compulsory," or national services. In the latter class are included education, poor-relief, police, roads, and the like. Not only is general supervision much more complete than in England, but with respect to the second class of services the central authorities have the power to compel a minimum of local expenditure. This they accomplish through their right of approval of local budgets. General grants in aid are very rare and aids in respect to "compulsory" services usually take the form of permission to levy additional percentages on the national taxes or of assignment of a share in such taxes. The greater relative administrative power of the central authorities enables them to distribute the grants more nearly in proportion to the needs of the locality than is done in England.

From his investigation of the problem in all four countries Mr. Grice concludes (p. 326) that for England grants should be made more with the purpose of increasing central supervision; they should be allocated so as to minimize the inequalities between different districts in respect to expenditure on loco-national services; and only those services should be aided in which the national interest is predominant.

With the foregoing conclusions Mr. Webb is, in the main, in accord. But he seems to believe that greater emphasis should be placed on the acquisition of control for central authorities. And, although it is tolerably clear from the historical account given by Mr. Grice (pp. 14, 15, 21, 74) that the primary object of the grants has been the relief of local rate-payers, Mr. Webb makes the surprising statement (p. 6) that the national government (in England) "'bought' the rights of inspection, audit, supervision, initiative, criticism, and control, in respect to one local service after another, and of one kind of local governing body after another, by the grant of annual subventions from the national Exchequer in the aid of local finances, and therefore in relief of the local rate-payer." That these grants were made for the purpose of purchasing such control was never comprehended by Mr. Gladstone, who to the end of his days always erroneously regarded them as "raids on the Exchequer"! It appears that Mr. Webb would like to see the introduction of greater administrative control by national, or at least county, authorities, and so he asserts that centralization of control and not relief of local taxation was the effective cause of the establishment of the subventions.

It is not a difficult matter, however, to distinguish and exclude the special pleading in *Grants in Aid*. The greater part of the book is devoted to a clear and admirably written description of the subvention policy of England at the present time. One chapter shows how "thirty millions a year" are distributed and in the succeeding pages are pointed out the good and the bad features in the grants to poor law and local educational authorities, which make up a greater part of the total. Mr. Webb, aside from his insistence upon greater centralization, is of the opinion that the entire system needs a thorough overhauling, and that the expenditure by the locality of a "national minimum" on subsidized services should be made an indispensable prerequisite to the receipt of aid. But he has no definite answer for the vexatious question of equitable bases for the distribution of the grants; he only protests against the present rule-of-thumb methods.

On the whole these two books constitute a valuable addition to the literature of finance, and in view of the growing tendency to make use

of subventions in this country the facts they present in respect to the situation in England are of particular interest to students of local finance in America.

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The Science of Wealth. By J. A. HOBSON. New York and London: Henry Holt & Co., 1911. 8vo, pp. 256. Price 75 cents.

The Science of Wealth is little more than an abridgment of *The Industrial System*, representing an attempt to popularize the author's analysis of modern business organization and the doctrine of "unproductive surplus."

Following a study of the organization of the industrial world and a presentation of the essential features of the productive process, Mr. Hobson turns his attention to the distribution of the product of industry among the owners of labor, land, capital, and ability. Since the co-operation of all these factors is necessary, the first charge against the joint product is maintenance cost. Under this head are included the minimum payments necessary to keep the factors from deterioration and to provide for the public services of the state. In a progressive industrial system, however, an additional payment must be made to secure the maximum efficiency of labor, land, capital, and ability, and to stimulate an increase in all these factors. Payment to cover this cost of healthy growth is what the author terms the "productive surplus."

Were the whole product naturally absorbed by these two charges, "we should have a completely rational and socially satisfactory system of production and distribution of Wealth." But there is a residuum, and "unproductive" surplus, which is divided among the factors in proportion to their "pulls." This surplus is, in the author's words (we may overlook the mixed metaphor), "the only true bone of contention, the only valid cause of conflict between capital and labor. . . . It lies in the industrial system, a source of continual disturbance, breeding economic maladies" (p. 82). All taxation should fall on this "unproductive" or "unearned" surplus. Indeed, it is to call attention to a proper object of taxation that Professor Hobson has labeled it "unearned."

The reader's first impression of Professor Hobson's theory is its apparently realistic character, but it requires no very careful study to discover hazy notions and unwarranted assumptions. What, for instance, is "healthy" growth? What is the "quantity of saving needed